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NAVY HOMEPORTS

Status of the Navy's New Homeport at Everett, Washington



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National Security and
International Affairs Division

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September 30, 1992

The Honorable Alan J. Dixon
Chairman, Subcommittee on Readiness,
Sustainability and Support
Committee on Armed Services
United States Senate

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The Honorable Patricia Schroeder
Chairwoman, Subcommittee on Military
Installations and Facilities
Committee on Armed Services
House of Representatives

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This report responds to your request for an update on the status of the Navy's new homeport at Everett, Washington. Specifically, we (1) compared the Navy's initial development schedule and cost estimates with the current development schedule and costs, (2) determined the estimated future development costs for fiscal year 1993 and beyond from any source of funds, and (3) compared the number and type of ships initially planned for the homeport with those currently planned. We also analyzed the impact of the closure of the naval station at Sand Point, Washington, on the development of the Everett homeport.

Background

In the early 1980s, the Navy planned to expand the number of homeports to help accommodate the expected fleet expansion to 600 ships. In 1984, the Navy selected Everett as a site for one of the new homeports.

Because of land constraints at the Everett waterfront site and the closure of the naval station at Sand Point, the Everett homeport will consist of two sites. The main site of 117 acres will house the ships and the facilities necessary to provide ship berthing capabilities and waterfront support, supply and maintenance support, and installation and personnel support. The second site will consist of about 60 acres and will be located about 10 miles from the main site. It will have various morale, welfare, and recreational facilities, such as a commissary/exchange, an auto hobby shop, and a chapel.

In 1991, we reported on the status of all of the new homeports, including Everett, and recommended that they be terminated because the existing homeports could accommodate the Navy's fleet, most of the objectives of the strategic homeporting program would not be fulfilled, and fiscal

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realities required reductions in the defense budget. However, our recommendation was not adopted, and the Navy is proceeding with the development of the new homeports. A complete list of our prior reports and testimonies on homeporting is contained on the last page of this report.

Results in Brief

As of July 31, 1992, the total cost to develop the Everett homeport had increased to \$495.2 million. This is \$118.2 million, or 31 percent, more than the Navy's original (1985) estimate of \$377 million. About \$90 million of the increase represents base closure funds that will be needed to build facilities at Everett to accommodate activities being moved from Sand Point. With the first ship expected to arrive in 1994, the development schedule for the Everett homeport has slipped about 6 years.

The Navy has already received \$282.4 million for the homeport. The Department of Defense (DOD) has requested \$5.6 million in military construction funds and \$58.4 million in base closure funds in the fiscal year 1993 budget. We estimate that at least \$148.8 million will be needed after fiscal year 1993.

The Navy now plans to base 7 ships and 4,800 military personnel at Everett, compared to 13 ships and 6,800 military personnel in the original plan. The Navy stated that this decrease was due to significant reductions in the size of the fleet.

As a result of the 1991 decision to close the naval station at Sand Point, the Navy will move 18 tenant activities and 900 naval station and tenant personnel to Everett from Sand Point by 1995.

Cost Estimates Have Increased

As of July 31, 1992, the cost to develop the Everett homeport was \$118.2 million more than originally estimated. In 1985, the Navy estimated that the cost to develop the Everett homeport would be \$377 million. This total included \$272 million for basic facilities and \$105 million for follow-on projects. We estimate that the total cost to develop Everett will be at least \$495.2 million. Table 1 shows a comparison of the two estimates.

Table 1: Comparison of Original and Current Estimated Costs

Dollars in millions

Source of funding	Navy's 1985 cost estimate	Our current cost estimate
Military construction	\$348.0	\$371.4
Military housing	0	20.7
Nonappropriated funds	29.0	3.7
Local contributions	0	9.5
Base closure	0	89.9
Total	\$377.0	\$495.2

Several factors contributed to the \$118.2 million cost difference. The Navy changed the configuration of the homeport and added projects that were not in the original estimate. In addition, projects that are funded with base closure funds and local contributions were not part of the Navy's original estimate. These funds and contributions are included in our current estimate because the projects they are funding are considered part of the homeport.

The configuration changes were a result of environmental concerns about the disposal of contaminated material dredged as part of the homeport construction. A 1988 litigation settlement with environmental groups changed the waterfront layout and the scope of other projects. For example, a central wharf was deleted because of the dredged material problems, and a structural breakwater was added.

The Navy also has added projects that were not envisioned when the original estimate was prepared. For example, the Navy planned to obtain a lease contract for steam; however, a lessor could not be found. The Navy now plans to construct a steam plant at a cost of \$11 million. Also, the Navy has identified the need for 174 military housing units at a cost of \$20.7 million. Originally, the Navy believed that the community could provide adequate affordable housing.

The use of base closure funds represents the most significant portion of the cost difference. Of the \$89.9 million in base closure funds, \$35.7 million will be used for land acquisition, site improvements and utilities, and access roads to the second site. An additional \$21.5 million will be used to construct a fleet headquarters support building and a port services addition at the main site and various facilities such as playing fields and courts, a chapel, bachelors' officers quarters, and a fleet parking area at the second site. In addition, \$9.5 million in local contributions were obtained from the

state of Washington and the port of Everett and were used for road improvements.

Development Schedule Has Changed

The development schedule for the Everett homeport has slipped about 6 years. Initially, Everett was to receive its first ship, the aircraft carrier U.S.S. Nimitz, in December 1988, and all ships were to arrive within 2 to 3 years thereafter. The plan now calls for the first two ships (frigates) to arrive in 1994, two destroyers to arrive in 1995, and two destroyers and the carrier to arrive in 1996.

Several factors have affected the initial schedule. Environmental concerns resulted in the redesign of the waterfront operations and put construction behind schedule. Contract awards for other construction projects were delayed because of a DOD moratorium on military construction that was in effect from January 24, 1990, through April 15, 1991.

The contract for the carrier pier was awarded in September 1989, and work was completed in March 1992. Construction of other facilities began in September 1991 and are in various stages. They include the transit shed, logistics complex, port services/public works/ground support shop and shed, combined security/fire station, and naval telecommunications center. A contract for the fleet headquarters and administration building was awarded in June 1992, and a contract for the mess hall is expected to be awarded later in 1992.

Some of the basic facilities will not be available in time for the first ship's arrival in 1994. These facilities include the shore intermediate maintenance activity, the bachelor enlisted quarters, and the medical/dental clinic. The intermediate maintenance activity will not be operational until 1997, and the enlisted quarters are not expected to be completed until 1996. The medical/dental clinic is planned for construction in 1996.

Navy officials stated that in the interim, repair barges will be relocated from the Puget Sound Naval Shipyard to the Everett homeport to handle maintenance requirements. Discussions are still ongoing about interim measures to accommodate the bachelor housing needs of personnel assigned to Everett. On-site modular units will handle the medical/dental needs until a permanent facility is constructed. The Navy expects to complete all facilities at the homeport by 1997.

Future Development Costs Total \$212.8 Million

Of the total cost of \$495.2 million to develop the Everett homeport, \$282.4 million in funds had been received as of July 31, 1992; \$241.2 million had been obligated; and \$214.2 million had been expended. The funds received include military construction appropriations of \$242.3 million, base closure appropriations of \$30.6 million, and local contributions of \$9.5 million. We estimate that an additional \$212.8 million will need to be funded in fiscal year 1993 and the outyears. DOD has requested \$5.6 million in military construction funds in the fiscal year 1993 budget, which will be used to construct an oil/water separator system. DOD also has requested \$58.4 million in base closure funds in the fiscal year 1993 budget to construct facilities at the second site. Table 2 shows the planned sources of the future funds.

**Table 2: Estimated Future Costs for
Fiscal Years 1993 to 1998**

Dollars in millions	
Source of funding	Amount
Military construction	\$129.1
Base closure	59.3
Military housing	20.7
Nonappropriated funds	3.7
Total	\$212.8

Future military construction projects include such basic facilities as the shore intermediate maintenance activity, bachelor enlisted quarters, and the structural breakwater and pier. Until this pier is completed in 1997, some of the ships will have to be "triple nested" (three ships sharing one berth) when all ships are in port.

Base closure funds will be used to construct various morale, welfare, and recreational facilities at the second site. These facilities include a commissary/exchange, playing fields and courts, an auto hobby shop, a library, and a family services center.

Military housing funds will be needed to construct 174 housing units in the outyears. Nonappropriated funds will be used to construct a small exchange at the main site.

In addition to the above development costs, estimated annual operations and maintenance costs of \$26 million will be incurred once the homeport is complete.

The Number of Ships Have Decreased

To help accommodate the Navy's planned growth to a fleet of 600 ships, Everett was selected to homeport a carrier battlegroup consisting of 13 ships—the aircraft carrier U.S.S. Nimitz and a mix of active and reserve ships. However, the fleet never grew to 600 ships and the Navy now plans to have a fleet of 451 ships by fiscal year 1995. In May 1991, the Navy announced that due to significant reductions in the size of the fleet, the number of ships planned for Everett would decrease to 7 ships. The changes in ship homeporting plans also resulted in changes to the mix of ships. Table 3 compares the original and current homeporting plans.

Table 3: Comparison of Ship Assignment Plans

Ship type	Originally planned	Currently planned
Carrier	1	1
Cruisers	2	0
Destroyers	4	4
Frigates (active)	2	2
Frigates (reserves)	2	0
Mine countermeasures (reserves)	2	0
Total	13	7

The reduction in the number of ships will result in a 30-percent decrease in the number of military personnel, from 6,800 officers and enlisted personnel to 4,800.

Navy officials stated that the decrease in the number of ships did not significantly affect site development or total costs because a carrier will still be homeported at Everett and its requirements primarily dictate site development. They stated that carrier requirements are much greater than all other ships. We could not verify the accuracy of these statements because the Navy has not completed the update of its master plan to reflect the base requirements for the decreased number of ships.

Impact of Sand Point's Closure on Everett

Pursuant to the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), the naval station at Sand Point is scheduled for closure in 1995. DOD's April 1991 base closure report states that the closure of Sand Point will result in annual savings of \$2 million. The closure has a direct bearing on the development of the Everett homeport. Sand Point has 52 tenant activities, of which 18 will transfer to Everett, and the remaining 34 will go to various other locations, primarily in Washington State. About 900

personnel associated with the naval station and the 18 tenant activities will transfer to the new homeport.

For example, upon completion of the administration and fleet headquarters building at Everett, some Sand Point tenant activities, such as the Naval Investigative Service and the Naval Legal Services Office, will relocate to Everett. Everett's second site is planned for completion by the summer of 1995 to coincide with the closure of Sand Point.

The Navy is using Sand Point base closure funds to accommodate the many facilities and quality-of-life projects to be relocated to Everett. According to DOD, the Navy had planned to provide this support for Everett from existing facilities at Sand Point. Of the \$89.9 million available from the base closure account, \$19.8 million will be used to construct various morale, welfare, and recreational facilities, including an auto hobby shop, a family services center, an arts and crafts hobby shop, a commissary/exchange, and a library and educational services building. In addition, the logistics complex (a general warehouse facility for the storage and distribution of supplies) at Everett is being funded with \$10.7 million of base closure funds.

Agency Comments and Our Evaluation

We requested written comments from DOD on July 16, 1992, but none were received. However, we received oral comments and these are discussed in the report as appropriate.

DOD stated that our cost comparison was not a fair comparison because our current estimate included items that were outside the scope of the original Navy estimate. DOD specifically mentioned base closure costs for the relocation of activities from Sand Point to Everett and infrastructure improvements paid by local governments. DOD also stated that we were incorrectly suggesting that the Navy was using base closure funds instead of military construction funds to relocate many facilities and quality-of-life projects to Everett.

We agree that subsequent events preclude a direct comparison between the Navy's original estimate and our current estimate. However, our report goes into some detail explaining the reasons for the cost difference and points out that relocating activities from Sand Point is the primary reason for the difference. With regard to DOD's comment on the use of base closure funds, our intention was not to suggest that the Navy was using

these funds properly or improperly. Our intention was only to provide a complete picture of the current homeport effort.

Scope and Methodology

To accomplish our objectives, we held discussions and reviewed documents affecting Everett since our most recent homeporting report was issued in June 1991. We met with officials and obtained documents at the Office of the Deputy Chief of Naval Operations (Logistics), the Naval Facilities Engineering Command, the naval station at Sand Point, and the Everett homeport. We also visited the Sand Point and Everett sites.

Our review was made in accordance with generally accepted government auditing standards and was performed between April and July 1992.

We are sending copies of this report to the Chairmen, Senate and House Committees on Armed Services and on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; the Director, Office of Management and Budget; and the Secretaries of Defense and the Navy.

Please contact me on (202) 275-6504 if you or your staff have any questions. Major contributors to this report are James Murphy, Assistant Director; Brenda Farrell, Adviser; and Janine Cantin, Evaluator-in-Charge.



Richard Davis
Director, Navy Issues

Related GAO Products

Navy Homeports: Expanded Structure Unnecessary and Costly
(GAO/NSIAD-91-158, June 14, 1991).

Observations on the Analyses Supporting Proposed Closures and Realignments (GAO/T-NSIAD-91-36, May 17, 1991).

Military Bases: Observations on the Analyses Supporting Proposed Closures and Realignments (GAO/NSIAD-91-224, May 15, 1991).

Homeporting: Status of Continuing Construction and Development
(GAO/NSIAD-90-231, June 20, 1990).

Navy Ships: Status of Strategic Homeporting Program (GAO/T-NSIAD-90-37, Apr. 24, 1990).

Military Bases: An Analysis of the Commission's Realignment and Closure Recommendations (GAO/NSIAD-90-42, Nov. 29, 1989).

Navy Ships: Information on Benefits and Costs of Establishing New Homeports (GAO/NSIAD-86-146, June 3, 1986).

The Navy's Strategic Homeporting Plan (Testimony, Apr. 11, 1986).

The Navy's Strategic Homeporting Plan (Testimony, Feb. 26, 1986).